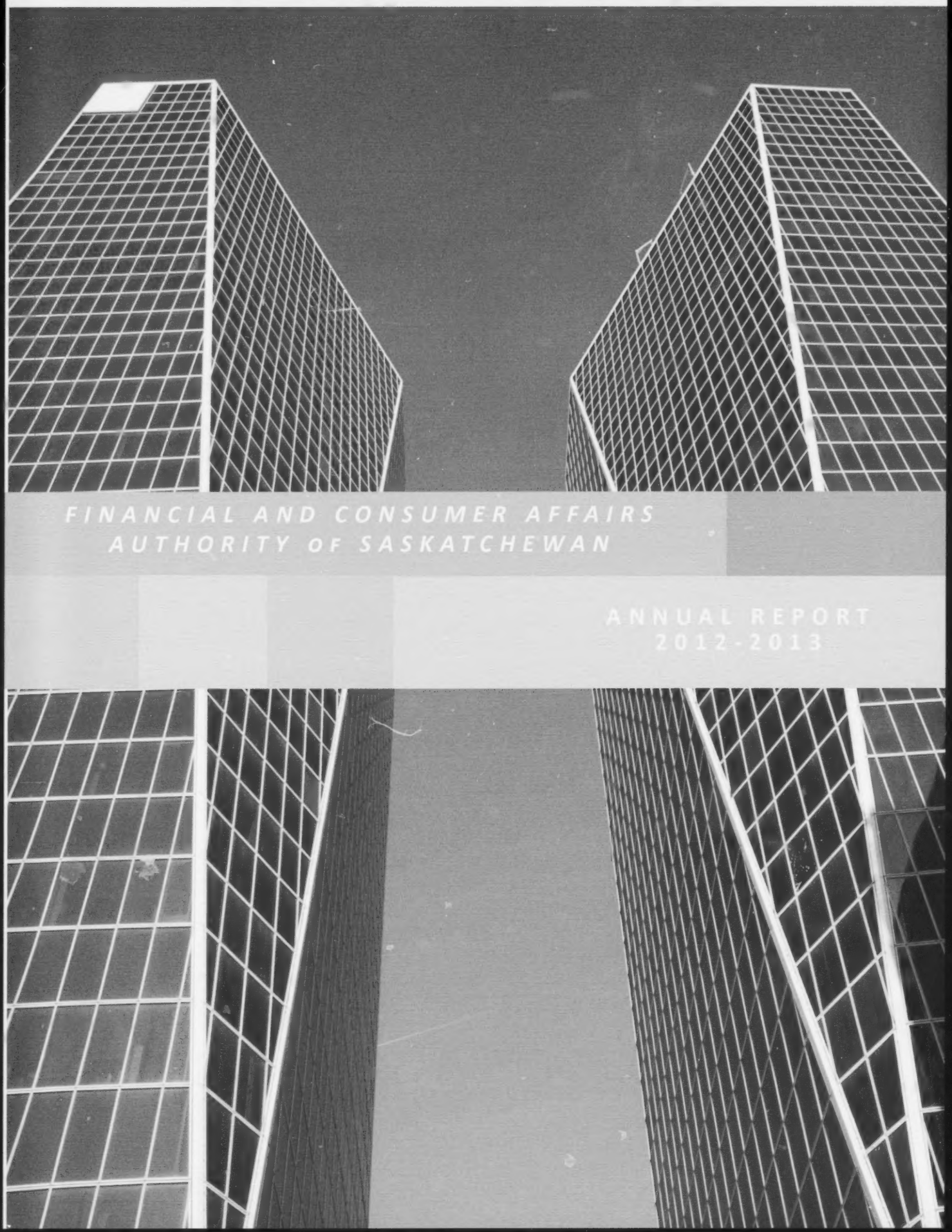


FINANCIAL AND CONSUMER AFFAIRS AUTHORITY OF SASKATCHEWAN

ANNUAL REPORT 2012-2013

Table of Contents

3 Letters of Transmittal

4 Board of Directors

6 Message from the Chair

8 Who We Are

- 9 Our Divisions
- 11 Statistics

16 Count on Saskatchewan's Markets

- 16 Highlights
- 19 Year in Review
- 20 Goals and Targets

22 Increase Your Wealth with Confidence

- 22 Highlights
- 24 Year in Review
- 28 Goals and Targets

32 Performance Measures

36 Governing Legislation

39 Financial Statements

- 41 Management's Responsibility for Financial Statements
- 43 Independent Auditor's Report
- 45 Financial Statements

Letters of Transmittal

Her Honour, the Honourable Vaughn Solomon Schofield,
Lieutenant Governor of Saskatchewan

May It Please Your Honour:

As the Minister responsible for Financial and Consumer Affairs Authority of Saskatchewan, I respectfully submit the annual report for the year ending March 31, 2013.

Gordon S. Wyant, Q.C.
Minister of Justice and Attorney General

Gordon S. Wyant, Q.C.
Minister of Justice and Attorney General

Dear Sir:

I have the honour of submitting for your consideration the annual report of Financial and Consumer Affairs Authority of Saskatchewan for the year ending March 31, 2013.

Dave Wild
Chair and Chief Executive Officer
Financial and Consumer Affairs Authority of Saskatchewan

Board of Directors

Dave Wild
Chair and Chief Executive Officer

Dave Wild led the transformation of marketplace regulation in Saskatchewan. He was appointed Superintendent of Pensions in 1992 and Chair of the Saskatchewan Securities Commission in 2001. In 2003, he became Chair and Chief Executive officer (CEO) of the Saskatchewan Financial Services Commission, which merged the province's financial services regulators into a single agency. The transformation was completed with the expansion of the organization's mandate to include all consumer protection regulation in 2011 and the creation of the Crown corporation, Financial and Consumer Affairs Authority in 2012. In addition to being Chair and CEO of FCAA, Mr. Wild holds appointments as Superintendent of Pensions, Superintendent of Insurance, Superintendent of Financial Institutions, Superintendent of Real Estate and Registrar of Credit Unions. Mr. Wild has a background in finance having worked in the pension industry as an administrator and asset management consultant.

Paul Robinson
Vice-Chair - Appointed June 2009

Mr. Robinson's career includes several senior positions in provincial and municipal governments and he has worked as a financial planner with a national investment firm. He has an MBA from McMaster University, is a Certified Management Accountant (CMA), a Chartered Financial Planner and a Chartered Financial Analyst (CFA).

Peter Carton
Member - Appointed June 2009

In 2007, Mr. Carton retired from a 30-year career with the Royal Bank of Canada. He has background in all areas of retail banking; most recently, he was the Regional Vice-President for Commercial Banking covering Saskatchewan, Manitoba and northwestern Ontario. Mr. Carton holds an MBA from Dalhousie.

Gordon Hamilton
Member - Appointed June 2009

As a lawyer in private practice with the Saskatchewan firm McDougall Gauley LLP and as Vice-Chairperson of the Canada Industrial Relations Board, Mr. Hamilton has extensive experience in labour relations and administrative law. He also has a background in co-operatives and Saskatchewan credit unions. He held senior positions at Affinity Credit Union, the Saskatchewan Wheat Pool (now Viterra), and Federated Co-operatives Limited.

Mary Ann McFadyen
Member - Appointed June 2009

Ms. McFadyen's 30-year association with the Saskatchewan Chamber of Commerce includes serving as its Executive Director and CEO for more than two decades. In recognition of her contribution to business, she received the Canada 125 Award and was named one of the ten most influential women in Saskatchewan by Saskatchewan Business Magazine.

Derrek Fahl
Member - Appointed July 2011

Mr. Fahl is a director with Saskatoon's Wallace Meschishnick Clackson Zawada law firm. He is the head of the firm's corporate and commercial law practice group, and focuses his practice in the areas of mergers and acquisitions, corporate finance, securities law, corporate governance, and secured lending transactions. Mr. Fahl holds Bachelor of Commerce and Bachelor of Laws degrees from the University of Saskatchewan.

Brian Molberg
Member - Appointed June 2009

Mr. Molberg previously served as Vice-President of Corporate Services of LutherCare Communities, a leading provider of health services, seniors housing, and community services in Saskatchewan. He was also President of Nalco Leasing Inc., a Saskatchewan based agricultural and office equipment leasing company. He is a Fellow Chartered Accountant.

"We're honoured to serve Saskatchewan's people by ensuring that we can all do business, manage wealth, and save for the future with confidence. We approach our job to safeguard these interests with the utmost care and dedication."

– Board of Directors

Rod Crook

Member - Appointed October 2012

Mr. Crook is Assistant Deputy Minister, Regulatory Services in the Ministry of Justice and was involved in the planning work to establish FCAA and broaden its mandate to include all consumer protection legislation. He also serves on the board of the Credit Union Deposit Guarantee Corporation. Prior to joining the provincial government, where he has held several senior positions, he practiced business law with Blake, Cassels & Graydon. He has a Master's degree in Economics from the University of Toronto. (Not pictured)

Message from the Chair

When you are driving down a well paved highway, you tend not to wonder about the ins and outs of highway construction and maintenance. Who makes sure the highway is up to standards? How often do they inspect it? Is it safe? Are there sufficient guard rails and lights? Is the speed limit within safe limits? Who decides? When everything is working well, we are able to focus on the task at hand and drive – assured that the highway itself can be counted on.

In much the same way, when marketplaces are well managed you are able to focus on doing business, managing and growing your wealth, and saving and planning for your future because Financial and Consumer Affairs Authority of Saskatchewan (FCAA) is regulating the businesses you interact with.

FCAA is looking out for you when you are:

- Buying a car
- Hiring a mortgage broker or real estate agent
- Depositing your money with a credit union
- Buying insurance
- Investing in the market
- Contributing to your pension
- Taking out a payday or other type of loan
- Buying a gift card
- Going to the movies
- Buying from a retailer, direct seller, or online
- Donating to charity
- Dealing with collection agencies, credit reports, and personal debt

But no matter how smooth the highway, each driver is still responsible for keeping themselves, their property and fellow drivers safe. FCAA creates and maintains an environment that allows Saskatchewan people to manage their finances with confidence, but it is still up to individuals to take proper precautions when deciding how to invest or spend their money.

Saskatchewan is an economic bright spot. The province is growing rapidly, making this a wonderful place to live and work, but presenting a challenge for a marketplace regulator. This past year, the Government of Saskatchewan recognized that in order to have a marketplace regulator who could respond to Saskatchewan's needs, changes would have to be made.

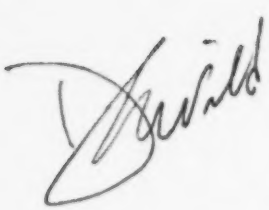
Effective October 1, 2012, Financial and Consumer Affairs Authority of Saskatchewan was created as a Treasury Board Crown corporation. The Board of Directors and staff of FCAA spent considerable energy in the past year establishing the structures, policies and processes necessary to operate as an independent corporation. It is an effort we believe will pay dividends for the organization and for market participants.

We feel privileged and humbled to be given the resources, authority and responsibility to undertake such an important role for Saskatchewan

Looking ahead, FCAA regards these as our priorities:

- We need to create greater public awareness of FCAA, particularly as an organization consumers can turn to with complaints and concerns.
- We are excited by the prospect of working with new legislation: *The Consumer Protection and Business Practices Act.* We will be consulting on a wide variety of regulations under this legislation – motor dealers, prepaid purchase cards, consumer contracts (including travel club contracts and personal development contracts like health, fitness and gym, dieting, modeling and talent, martial arts, sports and dancing classes), direct sales, credit reporting, charitable fund-raising and collection agents. More importantly for the long run, this legislation will give FCAA a platform to address emerging consumer issues.
- FCAA will work closely with the securities commissions of other provinces and territories to bring greater focus to helping small retail investors, including efforts to provide simplified, point-of-sale disclosure for mutual funds and comparable products such as electronically traded funds (ETFs), and to consider the future of mutual fund fees.
- FCAA will consider how it can encourage entrepreneurs to access capital markets to raise small amounts of money through crowdfunding.
- FCAA considers helping Saskatchewan workers access greater opportunities to save for retirement as a priority. We are pleased to implement legislation permitting the creation of pooled registered pension plans. Saskatchewan will be among the first provinces in Canada to allow pooled registered pension plans.

The many accomplishments of FCAA over the past year are documented throughout this report. Nothing can be achieved without the commitment and hard work of staff. I would like to thank them for approaching their work with vigor, and for rising to the challenge of regulating the marketplace effectively, efficiently and fairly. Due to the dedication of our employees, Saskatchewan residents can feel confident in managing their finances and increasing their wealth.



Did you know FCAA licenses over 19,000 entities and individuals in the Saskatchewan marketplace?

Dave Wild
Chair and Chief Executive Officer

Who we are

As a regulator and quasi-judicial adjudicator, we protect Saskatchewan consumers, public interests and businesses by providing effective, balanced and timely market regulation.

Financial and Consumer Affairs Authority (FCAA) is a Crown corporation assigned to the Minister of Justice and Attorney General and led by a seven-person Board of Directors established under *The Financial and Consumer Affairs Authority of Saskatchewan Act*. FCAA is dedicated to advancing the interests of consumers by ensuring fair trading conduct and minimizing opportunities for unfair, unlawful or deceitful commercial activity.

Financial services are essential to the growth, development and strength of market economies because they support corporate growth and innovation, and make managing financial risk easier. Regulation is essential for maintaining the integrity, efficiency and transparency of financial markets. Except for banks, FCAA regulates and adjudicates all financial services in Saskatchewan including: the credit union system, insurance, pensions, securities, trust and loans, payday loans and mortgage brokers.

Consumer protection regulation is also critical to helping Saskatchewan residents acquire wealth and retirement savings. As the world continues to shrink due to globalization, and transactions become more complex, fraud schemes become increasingly varied and common. This means consumer protection laws are more important than ever. Enforcement of consumer protection laws is necessary for making sure Saskatchewan residents have a high quality of life and confidence in their government, institutions and the marketplace. Another positive effect of consumer protection regulation: it supports consumer confidence, which encourages spending and investment!

FCAA is responsible for helping to develop provincial legislation, regulations, policies and rules, and for interpreting and applying those rules while protecting the rights and interests of consumers when the rules are broken. In addition, we support an environment that upholds a fair marketplace for consumers and a level playing field for suppliers.

Our regulatory functions for financial services include prudential and market conduct regulation. Prudential regulation means making sure regulated businesses and institutions are financially sound. Market conduct regulation entails ensuring that businesses comply with consumer protection provi-

sions such as confidentiality, disclosure and fair practices. In essence, both types of regulation ensure that Saskatchewan businesses put consumers first.

FCAA's responsibilities encompass a broad range of regulatory functions, including:

Licensing and Registration – Financial institutions, pension plans, financial intermediaries, regulated business sectors and other market participants require approval to offer services or conduct business. FCAA requires applicants to provide information demonstrating whether they are suitable to conduct business in their chosen field.

Audit and Compliance – We continually monitor regulated entities to make sure they are meeting their obligations to consumers and conducting themselves in compliance with the rules.

Market Conduct and Complaint Handling – FCAA receives and investigates complaints from consumers effectively. We review complaints and collect the appropriate information to determine whether rules have been violated. In addition, FCAA supports consumer education and awareness as a means of encouraging consumers to protect themselves.

Enforcement – FCAA exercises its influence and legislative powers to hold those who have violated the rules accountable. We can initiate enforcement proceedings based on information we collect from complainants, audits and compliance activities, or other credible sources.

We rely on and oversee the following Self-Regulating Organizations (SROs):

- Credit Union Deposit Guarantee Corporation
- Funeral and Cremation Services Council of Saskatchewan
- General Insurance Council of Saskatchewan
- Hail Insurance Council of Saskatchewan
- Investment Industry Regulatory Organization of Canada
- Life Insurance Council of Saskatchewan
- Mutual Fund Dealers Association of Canada
- Saskatchewan Real Estate Commission

Our Divisions

FCAA is organized into five program divisions: Consumer Protection, Consumer Credit, Insurance and Real Estate, Pensions, and Securities. These program areas are supported by the Chair's Office, which includes Corporate Services, Communications, and the Legal Branch.

Consumer Protection

The Consumer Protection Division supports fair trading in goods or services between consumers and businesses, whether the purchases are for personal, household or family use. We strive to protect consumers and maintain a fair trading business environment through market regulation, sector-specific business and salesperson licensing, complaint investigation, education initiatives, inter-agency and inter-jurisdictional cooperation, enforcement action and research. The division also supports the Film Classification Board and oversees the Funeral and Cremation Services Council.

The Consumer Protection Division saw an increase in the number of website hits in 2012-13, which may be due to the new *Consumer Protection and Business Practices Act*, *The Ticket Sales Act*, gift card legislation, the transition to FCAA, and a thriving inquiry line driving consumers to the website. During this fiscal year, the division also saw a decrease in bond payouts. Bond payouts generally result from insolvencies, which are down across the board this year likely due to the more robust economy.

Consumer Credit

The Consumer Credit Division is responsible for regulating Saskatchewan credit unions; trust, loan and finance companies; loan and mortgage brokers; and payday lenders. The division protects the public interest and enhances public confidence by encouraging sound and ethical business practices.

Insurance and Real Estate

The Insurance and Real Estate Division licenses all companies that transact insurance in Saskatchewan. The division protects insurance policyholders by regulating provincial insurance companies, federal and provincial insurance companies' market conduct, and by overseeing the Insurance Councils of Saskatchewan with respect to rules insurance agents and brokers must follow. We also protect real estate buyers and sellers by overseeing the rules that the Saskatchewan Real Estate Commission applies to real estate brokers and salespersons.

In April 2012, the Consumer Credit Division became responsible for payday legislation. To ensure that lenders were complying with the legislation, the division devoted a significant amount of time and resources to examine the payday lender market. As a result, the number of audits, reviews and inspections jumped from 22 in 2011-12 to 55 in 2012-13.

Pensions

The Pensions Division promotes the equitable treatment of plan members and protects their pension savings from undue loss. The division also reviews pension plans to ensure legislative standards are met.

The Pension Benefits Act, 1992 regulates employer-sponsored pension plans. Certain plans established for Saskatchewan and Canadian government employees are excluded from this legislation. This legislation also doesn't apply to plans of companies regulated by the federal government in such industries as banking, transportation and broadcasting.

This past year saw an increase in pension plan amendments registered due to the transfer of 25 First Nations pension plans from the Office of the Superintendent of Financial Institutions to Saskatchewan. These plans were amended because federal laws are different from provincial laws. OSFI's decision to transfer registration of certain First Nations plans to the provinces is based on a November 2010 Supreme Court decision.

Securities

The Securities Division protects investors by regulating trading in securities. Activities aimed at protecting investors include:

- Registering individuals and companies in the investment industry
- Reviewing documents used by companies and individuals to sell their securities to the public
- Requiring businesses to file regular financial information, send it to their security holders, and disseminate it to the market
- Reviewing companies' continuous disclosure documents, such as financial statements and press releases, to ensure they provide appropriate and timely ongoing information to serve as a basis for securities trading in the secondary market
- Where appropriate, exempting businesses from the main requirements
- Penalizing those who have not followed the provisions of the Act, or who have engaged in fraudulent and unscrupulous practices

In 2012-13, the Securities Division handled many complex, high-profile cases such as the West African Industries and Allan Peter Moen case. Victims provided information showing they had been defrauded by Allan Moen since early 1994, and had given Moen in excess of $1,000,000. After issuing a temporary cease trade order, FCAA held a hearing resulting in a fine and a five-year securities trading prohibition. As well, the RCMP arrested Moen in May 2013 on charges relating to this matter.

CONSUMER PROTECTION DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Licences/Registrations in Force:				
• Vendors/Registrants	2,046	2,022	2,052	2,051
• Salespersons	4,116	3,804	4,188	4,007
Telephone Inquiries	6,192	7,613	7,388	6,880
Website Hits	22,655	13,440	11.283	8,163
Complaints, Investigations and Inspections	510	343	378	510
Bond Pay-Outs to Consumers	$8,000	--	$40,000	$25,000

CONSUMER CREDIT DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Licences in Force:				
The Trust and Loan Corporations Act, 1997				
• Financing Corporations	120	108	87	87
• Trust Corporations	45	47	43	43
• Loan Corporations	8	8	8	8
• Loan Brokers	8	7	6	6
The Mortgage Brokerages and Mortgage Administrators Act				
• Mortgage Brokerages	48	43	41	n/a
• Mortgage Brokers	120	124	123	n/a
• Mortgage Associates	167	148	113	n/a

CONSUMER CREDIT DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
• Mortgage Administrators	11	0	n/a	
The Payday Loans Act	59	56	n/a	n/a
Credit Unions (as of December 31, 2012)	60	61	64	65
Audits, Inspections or Reviews -- All Entities	55	22	26	21

INSURANCE AND REAL ESTATE DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Insurance Companies Based in Saskatchewan	12	13	13	13
Audits, Inspections or Reviews	24	21	23	20

PENSIONS DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Number of Plans Supervised	523	501	478	469
Number of Members in Plans Supervised	172,881	168,594	159,984	155,615
New Plans Registered	25	26	26	28
Plans Terminated	29	18	19	24
Actuarial Valuations Reviewed	11	22	43	12
Annual Information Returns Reviewed	514	496	490	477
Plan Amendments Registered	168	122	135	160
On-site Pension Examinations	2	5	3	2

SECURITIES DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Companies Registered to Sell Securities at Year End	506	488	449	392
Individuals Registered to Sell Securities at Year End	12,189	12,177	11,592	10,181
Receipts Issued for Selling Documents of Saskatchewan Issuers	5	9	8	6
Selling Documents Received of Non-Saskatchewan Issuers	877	918	910	866
Continuous Disclosure Documents Received				
• Annual Financial Statements	4,814	4,822	4,538	4,348
• Interim Financial Statements	7,773	7,582	7,181	7,018
• Proxy/Information Circulars	3,890	3,794	3,626	4,382
• Material Change Reports	3,384	3,563	4,037	4,103
• Annual Information Forms	1,217	1,357	1,342	1,268
Management Discussion and Analysis Received				
• Annual	1,434	1,460	1,450	1,388
• Interim	4,318	4,301	4,139	3,989
Annual Management Report of Fund Performance Received	3,221	3,286	3,060	2,962
Applications for Exemption				
• Applications Granted	123	106	110	205
• Applications Withdrawn	21	14	13	31

SECURITIES DIVISION STATISTICS				
ACTIVITY	2012-13	2011-12	2010-11	2009-10
Investigated Complaints and Enforcement Action				
• Number of Files Open at Beginning of the Period	78	71	64	--
• Number of Files Opened During the Period	111	101	100	--
• Number of Files Closed During the Period	107	94	93	--
• Number of Files Open at the End of the Period	82	78	71	--
Files Opened by Complaint Type				
• Disclosure Violation	0	3	0	--
• Fraud	9	7	5	--
• Illegal Distribution	28	12	17	--
• Insider Trading	8	6	4	--
• Market Manipulation	1	2	4	--
• Misconduct by Registrants (Including Referrals to the Investment Industry Regulatory Organization of Canada & the Mutual Fund Dealers Association of Canada)	46	44	40	--
• Miscellaneous	19	27	30	--
Total Files Opened	111	101	100	--
Investigation Orders	5	6	10	--
Temporary and Extending Enforcement Orders	5	7	11	--
Settlement Agreements with Orders	1	4	4	--
Hearings with Orders	1	0	1	--

Count on Saskatchewan's Markets

because we regulate

FCAA oversees a variety of legislation and regulations that affect your day-to-day financial life. During 2012-2013, we introduced a bill to better protect consumers, consulted on new pension funding rules, amended payday loan regulations, and developed the framework to better regulate trading in derivatives.

The Pooled Registered Pension Plans Act

We began development of *The Pooled Registered Pension Plans (PRPP) Act* during 2012-2013. This Act ensures all Saskatchewan workers are eligible to enroll in low-cost, tax-assisted pension plans, providing an alternative for those workers who currently do not have access to group pension plans. The PRPP Act was passed subsequent to this annual report.

The province's development of legislation respecting PRPPs follows the federal government's PRPP legislation passed in December 2012 as part of a national effort to make low-cost, accessible pension plans available to millions of Canadians who don't have access to occupational pension plans. The governments of British Columbia, Quebec, and Alberta have introduced similar legislation; however, Saskatchewan was the first province to pass PRPP legislation.

Under the *PRPP Act*, an employer's enrolment in these plans is optional. If an employer chooses to offer a PRPP to its workers, the employees will be automatically enrolled, but will have the ability to opt out.
Employers will not be obligated to make contributions to PRPPs. Workers whose employers do not set up a PRPP, as well as self-employed individuals, will be able to deal directly with a PRPP administrator to open an account, similar to opening an RRSP.

The PRPP Act will be proclaimed when the regulations necessary for their implementation have been completed.

The Pension Benefits Regulations, 1993

FCAA concluded consultations regarding new funding rules for public sector defined benefit plans. As a result of the consultations, the rules in *The Pension Benefits Regulations, 1993* for funding pension plans will change in the next fiscal year so that there is less volatility in the funding pattern for most public sector defined benefit pension plans registered under *The Pension Benefits Act, 1992*.

The fee schedule in these regulations will be amended at the same time as the funding rules are amended. Fees for registering a pension plan, as well as fees for filing an Annual Information Return, will be increased.

Multi-Jurisdictional Pension Plans

The Canadian Association of Pension Supervisory Authorities (CAPSA) developed the Agreement Respecting

Multi-Jurisdictional Pension Plans that establishes clear rules for the regulation of pension plans with members in more than one province or territory.

This agreement will replace the 1968 Memorandum of Reciprocal Agreement between all Canadian jurisdictions (except Prince Edward Island, which does not regulate pension plans).

There are 3,000 multi-jurisdictional pension plans in Canada. That's 15 per cent of all occupational pension plans with approximately 2.5 million members (or 42 per cent of all pension plan members).

Statistics Canada -- January 1, 2011

The government agreed that we need to replace the 1968 memorandum to modernize and provide the clarity needed for administering and regulating multi-jurisdictional pension plans. That is why Saskatchewan's *Pension Benefits Act, 1992* was amended to give the Minister authority to enter into the Agreement Respecting Multi-Jurisdictional Pension Plans. Ontario and Quebec have already signed the Agreement; Saskatchewan plans on entering into the Agreement on January 1, 2014, along with most remaining jurisdictions.

The Consumer Protection and Business Practices Act

The Consumer Protection and Business Practices Act, which unites eight statutes that previously legislated consumer protection in Saskatchewan, was introduced in the fall of 2012 and received a positive reception.

The Act continues building on our fair and balanced marketplace to protect vulnerable consumers while avoiding an undue burden on Saskatchewan businesses.

The main features of the Act re-establish our commitment to existing basic marketplace practices rules, consumer product warranty rules, and prepaid purchase card rules. In addition, the Act streamlines the rules for consumer contracts such as internet contracts, remote contracts, personal development services contracts, future performance contracts, and travel club contracts. The "Designated Activities and Licensing" part of the Act sets up a framework for licensing particular types of businesses.

Previously, each of the eight statutes contained different standards, enforcement mechanisms and results. In uniting the statutes, seven of which were licensing Acts or contained licensing provisions, under one piece of legislation, we created greater consistency of treatment and coordination of administration.

The details of the Act will be set out in the regulations to accommodate the unique and varied needs of the industries this Act governs.

Saskatchewan Insurance Act

A review and rewrite of *The Saskatchewan Insurance Act* began during 2012-2013 to update and harmonize the legislation as much as possible with Alberta and British Columbia.

The Securities Act, 1988

Amendments to *The Securities Act, 1988* have been made to establish a framework for the regulation of derivatives. Securities legislation across Canada must be amended to meet Canada's commitment to the G20 Finance Ministers to regulate over-the-counter derivatives. The amendments establish requirements with respect to registration, centralized clearing and trade reporting.

Payday Loans Regulations

As part of a continued effort to reduce red tape while still ensuring adequate protections to the public, FCAA changed payday lenders' criminal record check requirements in 2012.

SaskCentral Legislation

SaskCentral is seeking to be federally incorporated, which is expected to better align SaskCentral with its business partners and to increase its capacity to meet the growing requirements of Saskatchewan's credit unions. FCAA has supported the Ministry of Justice's development of the necessary legislation and agreed on the provisions to be implemented, should the Office of the Superintendent of Financial Institutions of Canada approve.

YEAR IN REVIEW: 2012 - 2013
FCAA LEGISLATION AND REGULATION BY DIVISION

Securities

Developed *The Securities Amendment Act, 2013* to:

- Allow the Director to order specified entities to provide information or records
- Add provisions allowing the Fines Collection Branch of the Ministry of Justice to register and collect financial compensation orders
- Add provisions that broaden the scope of records protected from access under *The Freedom of Information and Protection of Privacy Act*

Developed a legal framework that regulates trading in derivatives.

Considered amendments to the accredited investor definition and the $150,000 exemption.

Consumer Credit

Established the principles for the Regulatory Roles Agreement setting out the roles and responsibilities of FCAA, SaskCentral and Credit Union Deposit Guarantee Corporation.

Examined the functions delegated by FCAA to the Director of the Corporate Registry in the Information Services Corporation.

Amended requirements for payday lenders' criminal record checks.

Supported the Ministry of Justice's development of the necessary legislation and provisions to be implemented if SaskCentral becomes federally incorporated.

Insurance and Real Estate

Began a rewrite of *The Saskatchewan Insurance Act* to update and harmonize the legislation as much as possible with Alberta and British Columbia.

Pensions

Concluded consultations regarding new funding rules for public sector defined benefit plans and began development of amended regulations.

Began development of *The Pooled Registered Pension Plans Act.*

The Pension Benefits Act, 1992 was amended to give the Minister authority to join other Canadian jurisdictions in entering the Agreement Respecting Multi-Jurisdictional Pension Plans.

Consumer Protection

Introduced *The Consumer Protection Business Practices Act.*

GOALS AND TARGETS: 2013 - 2014
LEGISLATION AND REGULATIONS

Securities

Implement *The Securities Amendment Act, 2013* including the regulation of derivatives.

Finalize our position regarding changes to the accredited investor definition and the $150,000 exemption.

Develop a proposal to determine how Saskatchewan entrepreneurs can use crowdfunding to raise capital.

Review the regulation of deposit agents.

Consider whether to revoke the Northwest Exempt Market Dealer Registration Exemption.

Consumer Credit

Finalize the Regulatory Roles Agreement, clarifying the roles and responsibilities in respect of the regulation of credit unions.

Review payday legislation provisions requiring that a lender obtains a borrower's written confirmation prior to retrying a preauthorized debit transaction that was NSF.

Participate in a review of the market code adopted by Saskatchewan credit unions.

Develop changes to The Mortgage Brokerages and Mortgage Administrators Regulations to:

- Address obligations of the Agreement on Internal Trade and the New West Partnership Trade Agreement
- Implement a continuing education requirement for licensees

Insurance and Real Estate

Finish re-writing *The Saskatchewan Insurance Act.*

Review the position paper and supporting documents from the Saskatchewan Real Estate Commission on proposed legislation changes.

Develop a framework of oversight for the Insurance Councils of Saskatchewan and the Saskatchewan Real Estate Commission that better defines their roles and responsibilities, sets expectations, and establishes mechanisms for reporting and control.

GOALS AND TARGETS: 2013 - 2014
LEGISLATION AND REGULATIONS

Consumer Protection

Work with the Ministry of Justice to consult with stakeholders on the regulations under *The Consumer Protection and Business Practices Act.* In 2013-14, we will consult on consumer contracts, motor dealers, prepaid purchase cards, direct sellers, auctioneers and charitable fund-raising.

Pensions

Develop and implement the *Pooled Registered Pension Plan Act's* regulations.

Implement new funding rules for public sector defined benefit pension plans.

Increase Your Wealth with Confidence

because we take action

Our ongoing operations include: interpreting and applying the rules, supporting an environment that facilitates a fair marketplace for consumers and a level playing field for suppliers, and protecting the rights and interests of consumers when the rules are broken.

Continuous Disclosure

Securities regulation requires reporting issuers to disclose material information on a timely basis, as well as quarterly and annual financial statements, quarterly and annual management's discussion and analysis, an annual information form for TSX issuers, and shareholder meeting materials. These are known as the "continuous disclosure requirements."

Over the past three years, FCAA has reviewed the continuous disclosure filings of all Saskatchewan based reporting issuers for compliance with the requirements. All deficiencies have been addressed or will be addressed in subsequent filings.

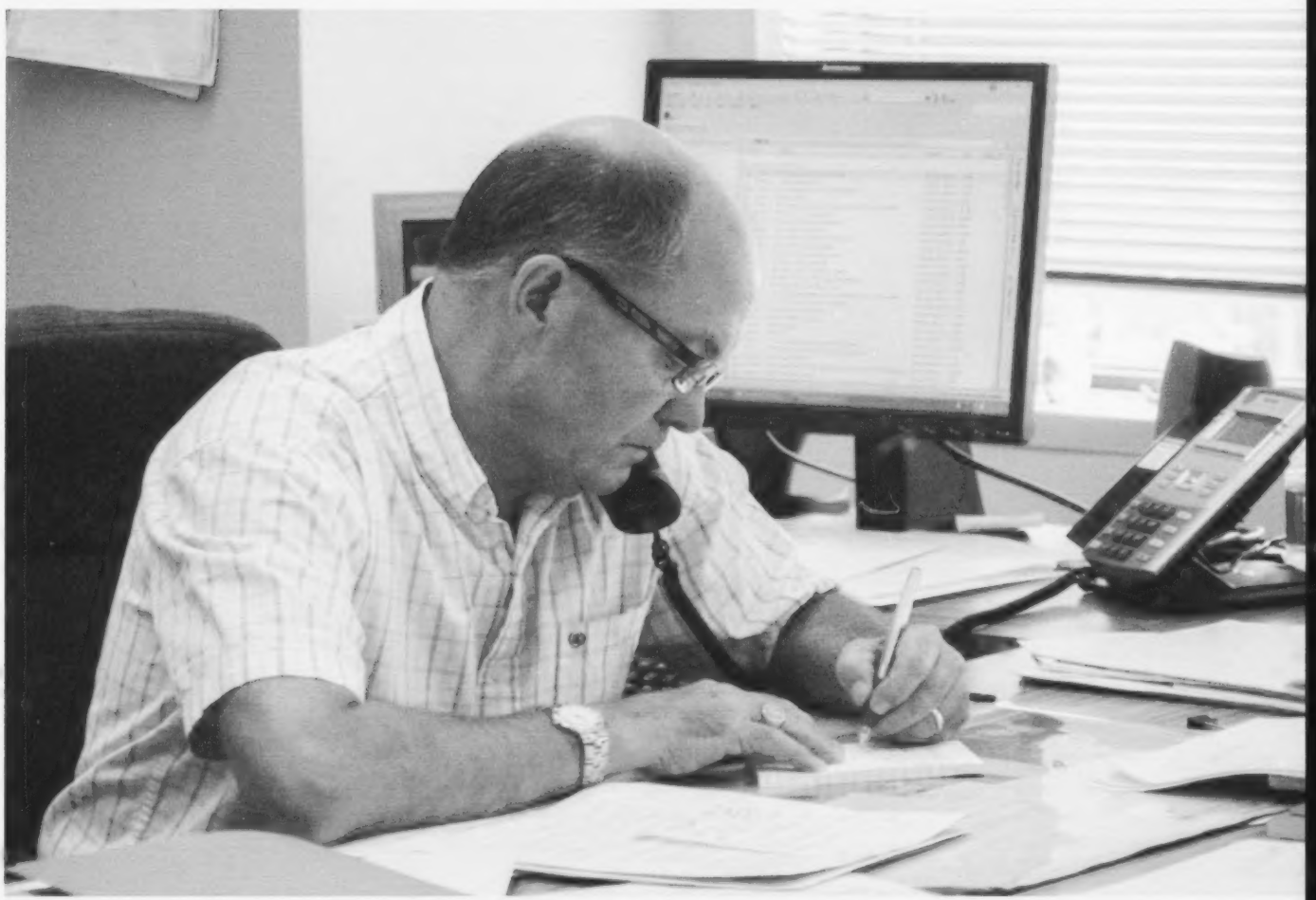
Changes to the Standards of Sound Business Practices

In 2012-13, we accepted changes to the Standards of Sound Business Practice (SSBPs) developed by the Credit Union Deposit Guarantee Corporation (CUDGC), which is responsible for establishing SSBPs under *The Credit Union Act, 1998.*

Saskatchewan credit unions operate under "capital adequacy rules" (the amount of capital a credit union has to hold), aligned with the Basel Committee - International Standards (Basel II). These rules are periodically reviewed and revised; the latest version that was released is Basel III. CUDGC developed changes to the SSBPs to reflect the Basel III requirements. Before accepting the proposed changes, a detailed analysis of the Basel III proposed changes was carried out to ensure that the capital adequacy standards for Saskatchewan's credit unions were in keeping with national and international standards.

Review of Insurance Core Principles

In addition to maintaining our oversight of the Saskatchewan Real Estate Commission and the Insurance Councils, 2012-2013 saw a review of the Insurance Core Principles adopted by the International Association of Insurance Supervisors to examine how they may impact Saskatchewan.



Uncovering "Curbing"

In an effort to identify and limit the impact of unlicensed individuals who buy and sell vehicles for profit on a frequent basis without the required motor dealer licence, we undertook an initiative that uncovered more than 200 probable unlicensed individuals.

"Curbing," as the practice is called, often leads to practices that are detrimental to consumers and the community.

Generally, unlicensed sellers have no regard for the law or safety concerns; they undercut legitimate motor dealers while failing to honour their responsibilities and obligations to the consumer and community.

To maintain a fair trading marketplace, sanctions and prosecution will be pursued if the unlicensed operators continue to ignore the rules after being asked to comply. We will continue monitoring and following-up on this issue in 2013-14.

> ***"We...uncovered more than 200 probable unlicensed individuals [in Saskatchewan]."***
>
> *-- Uncovering "Curbing"*

YEAR IN REVIEW: 2012 - 2013
ONGOING OPERATIONS BY DIVISION

Securities

Developed assessment criteria and confirmed that the Mutual Fund Dealer Association of Canada and the Investment Industry Regulatory Organization of Canada are meeting their public interest mandates.

Completed compliance reviews of:
- One scholarship dealer
- One exempt market dealer
- One advisor
- Four deposit agents
- The Mutual Fund Dealers Association of Canada

Completed legal research on recognizing, or exempting from recognition, Canadian exchanges.

Completed continuous disclosure reviews of one TSX issuer, one TSX-Venture issuer, and four non-listed issuers.

Reviewed the first interim financial report filing of all local reporting issuers under the International Financial Reporting Standards.

Reviewed four prospectuses and five local issuer offering memoranda.

Reviewed compliance with the terms and conditions for the use of exemptions in Saskatchewan.

Consumer Credit

Participated in the creation of the Mortgage Broker Regulators' Council of Canada.

Worked with the Saskatchewan Council of Mortgage Brokers to understand industry practices regarding prepayment penalties when mortgages are refinanced, and clarifying disclosure requirements to consumers.

Examined the impact of the new capital reserve standards established globally by banking regulators on provincial trust and loan companies.

Participated in discussions with respect to SaskCentral becoming an association under the *Co-operative Credit Association Act*.

Reviewed the mortgage broker education course.

Implemented changes to *The Mortgage Brokerages and Mortgage Administrators Regulations* to address obligations of the Agreement on Internal Trade and the New West Partnership Trade Agreement.

YEAR IN REVIEW: 2012 - 2013
ONGOING OPERATIONS BY DIVISION

Pensions

Participated on several Canadian Association of Pension Supervisory Authorities committees by:

- Issuing a draft Defined Contribution Pension Plans Guideline for comment, which will be finalized in 2013-14.
- Developing and publishing CAPSA's 2012 – 2015 Strategic Plan.

The funded status of defined benefit plans has declined significantly over the past few years, especially since the decline in the capital markets in 2008. In addition to the impact the equity markets had on plans, the low interest rate environment and increased life expectancies have further eroded the funded status of plans. The Division has responded by recommending legislative changes to the way deficits are amortized for certain plans, and by working with plan sponsors in restructuring their pension plans.

Insurance and Real Estate

Oversaw, monitored and supported the operation of the General, Life and Hail Insurance Councils and the Saskatchewan Real Estate Commission.

Examined issues related to the roles and responsibilities of managing general agencies in the distribution of life insurance products.

Considered the implications for Saskatchewan of the revised Insurance Core Principles adopted by the International Association of Insurance Supervisors.

Participated in the Canadian Council of Insurance Regulators, particularly regarding relationships between insurers and sales intermediaries, intermediary licensing, electronic commerce, and information sharing on disciplinary actions.

Identified and addressed issues, which may include claims adjustment, complaint handling processes, and the appointment of appraisers and umpires, with the hail insurance industry.

Participated in the national complaint reporting system for insurance.

Monitored provincial entities' transition and implementation processes for adoption of International Financial Reporting Standards.

YEAR IN REVIEW: 2012 - 2013
ONGOING OPERATIONS BY DIVISION

Consumer Protection

Undertook an initiative to identify, and limit the impact of, unlicensed individuals in the business of frequently buying and selling vehicles for profit, but doing so without the required motor dealer licence. The initiative uncovered more than 200 unlicensed individuals.

Continued to enforce fair marketing practices with other law enforcement agencies including: the Royal Canadian Mounted Police (RCMP), the Regina and Saskatoon Police Services, the United States Federal Trade Commission, Canada Post Security and Investigative Services, and the United States Postal Inspection Service.

Continued to work with community partners on two cemetery projects:

- The Saskatchewan Genealogical Society will develop, house and maintain a publicly accessible Saskatchewan-wide cemetery database.
- In cooperation with the Western Canada Cemetery Association, a care and maintenance web based guide for caretakers and volunteers is being developed. Completion is expected in the upcoming year.

Created a web-based film rating information site to give movie distributors, movie exhibitors, and the public access to classifications in a timely and easily accessible fashion.

Continued to support cross-Canada research undertaken by the Consumer Measures Committee (CMC) created under Chapter Eight of the Agreement on Internal Trade. The CMC provides a federal/provincial/territorial forum for cooperation to improve the marketplace in Canada through harmonization of laws, regulations, and practices and through actions to raise public awareness.

GOALS AND TARGETS: 2013 - 2014
ONGOING OPERATIONS BY DIVISION

Corporate Services

Finish developing and implementing a human resources plan for FCAA that analyzes the present and future workforce, identifies risks and provides key actions to manage risks.

Develop/acquire an IT application that:
- Supports risk-based regulation to promote more effective, targeted regulatory activity
- Allows on-line filing to lower administrative costs for the FCAA and filers
- Seeks opportunities to facilitate more efficient revenue collection

Develop FCAA's brand to raise public awareness of our work.

Securities

Increase the number of tips we receive from the financial services industry about possible contraventions of securities law.

Create more public awareness of securities fraud and our enforcement function.

Examine the effectiveness of the current regulation of defined contribution pension plans, which offer investment options to plan members.

Review policy on investor alerts.

Provide advice to FCAA on recognizing, or exempting from recognition, Canadian exchanges.

Complete the compliance reviews of:
- One scholarship plan dealer
- Two advisers
- One exempt market dealer
- Four deposit agents
- Participate in Investment Industry Regulatory Organization of Canada compliance review

Review the continuous disclosure filings of:
- Two TSX issuers
- Two TSX-Venture issuers
- Six non-listed issuers

Monitor the Canadian Securities Administrators' work to re-write the electronic systems.

GOALS AND TARGETS: 2013 - 2014
ONGOING OPERATIONS BY DIVISION

Consumer Credit

Revise delegation to Information Services Corporation to carry out certain corporate functions under credit union legislation.

Monitor developments regarding capital and liquidity standards for provincial trust and loan companies established globally by banking regulators.

Participate in Mortgage Broker Regulators Council of Canada (MBRCC) activities, with a focus on the competencies required for brokers.

Develop consumer education materials, focusing on payday and mortgage broker programs.

Approve the following courses under the *Mortgage Brokerages and Mortgage Administrators Act* (MBMA):

- Broker's Licence
- Continuing Education

Insurance and Real Estate

Oversee, monitor and support the operation of the General, Life and Hail Insurance Councils and the Saskatchewan Real Estate Commission.

Continue examining issues related to the roles and responsibilities of managing general agencies in the distribution of life insurance products.

Consider the implications of the revised Insurance Core Principles adopted by the International Association of Insurance Supervisors for Saskatchewan.

Review the Order of the Superintendent of Insurance, which delegates certain functions to the General, Life and Hail Insurance Councils.

Continue to participate in the Canadian Council of Insurance Regulators focusing on the relationships between insurers and sales intermediaries, intermediary licensing, electronic commerce, and information sharing on disciplinary actions.

Participate in the national complaint reporting system for insurance.

GOALS AND TARGETS: 2013 - 2014
ONGOING OPERATIONS BY DIVISION

Consumer Protection

Develop a publicly accessible real-time online database of licensees regulated by the division. These licensees include auctioneers, charitable fund-raising businesses, collection agents, credit reporting, direct sellers, motor dealers, and commercial cemeteries.

Transfer the web-based film rating information database from the Ministry of Justice to FCAA's website.

Identify and contact unlicensed motor vehicle dealers or "curbers" who continue to transact motor vehicle sales. Provide information on licensing requirements and issue sanctions as necessary.

Complete the two cemetery projects currently underway:

- The Saskatchewan Genealogical Society will develop, house and maintain a publicly accessible Saskatchewan-wide cemetery database.
- Complete a care and maintenance web based primer for caretakers and volunteers in cooperation with the Western Canada Cemetery Association.

Pensions

Implement the Pooled Registered Pension Plan (PRPP) framework so that employers and the self-employed can establish PRPPs.

Implement new funding rules for defined benefit public sector pension plans.

Along with other members of the CAPSA Defined Contribution Plans Committee, publish the Defined Contribution Pension Plans Guideline.

Participate on CAPSA's Pooled Registered Pension Plans Committee and New Plan Designs Committee.

Performance Measures

In addition to tracking our core activities and progress toward achieving strategic action items, FCAA uses performance measures developed with a balanced scorecard framework to assess our success. These measures are for the organization as a whole. Moreover, each division has efficiency and effectiveness measures.

Balanced Scorecard Framework

Stakeholder	Our people
How do stakeholders see us?	How do we continue to improve, innovate and create value?
• Regulated entities have confidence in the Saskatchewan marketplace and FCAA • Consumers use FCAA information	• Human resource management effectiveness • Employee participation in learning and development
Operational/Internal	**Financial**
How do we demonstrate operational excellence?	How are we accountable?
• Number of regulated entities reviewed each year • Client service standards achieved	• Variance from budget

Client Service Standards

Consumer Credit

- Review an application for licensing and issue a licence or an initial comment letter within 15 business days.

Insurance and Real Estate

- Review an application for licensing and issue a licence or an initial comment letter within 30 business days, when FCAA is the primary regulator, or 15 business days, when FCAA is not the primary regulator.

Pensions

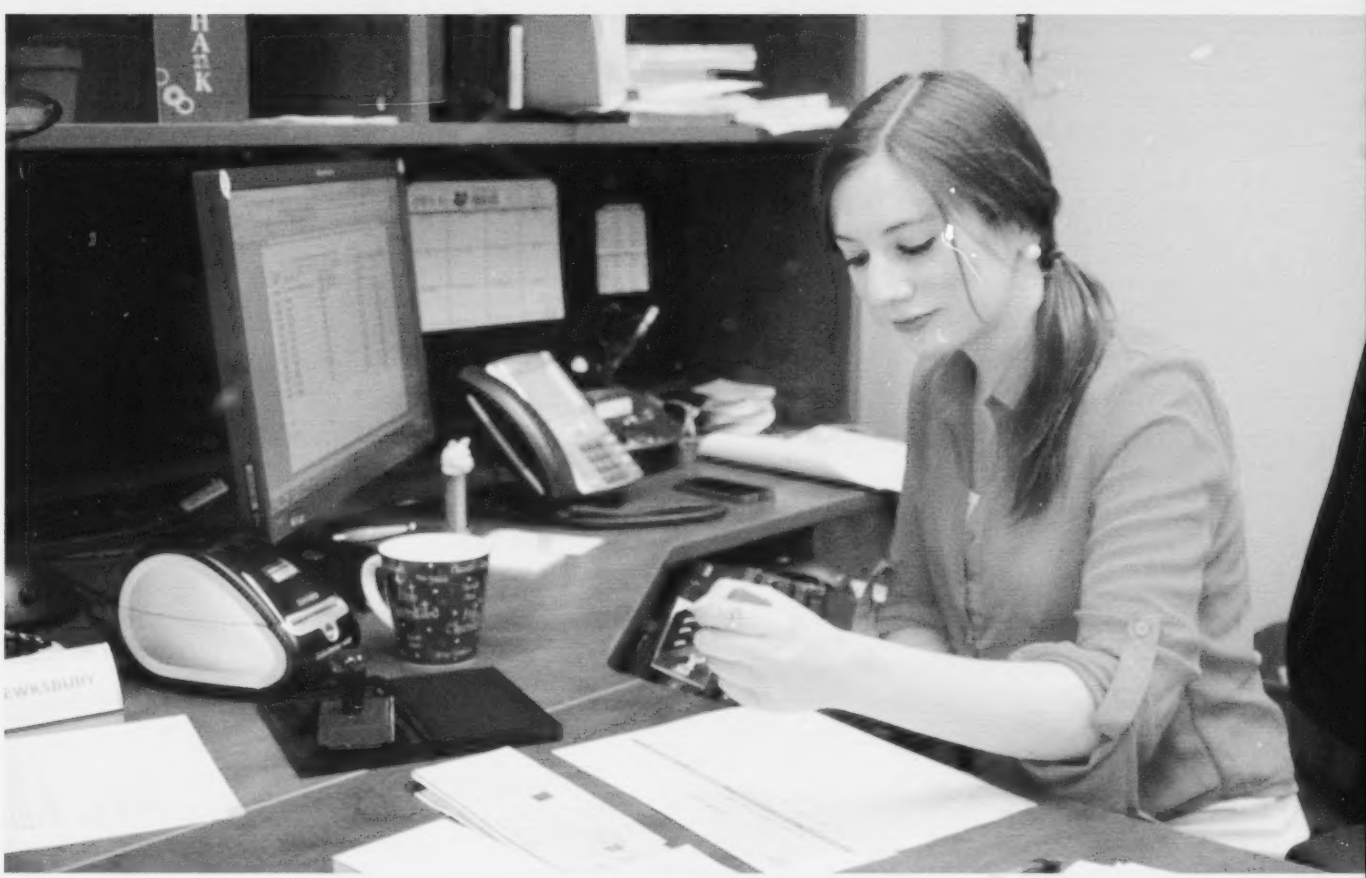
- Review actuarial valuations of non-designated pension plans within 45 business days.
- Review annual information returns within 25 business days.

Securities

- Approve or respond to applications for registration within ten business days on average when FCAA is the principal regulator.
- Provide initial comments within ten business days of the date of the preliminary receipt issued for a long form prospectus and within three business days of the date of the preliminary receipt issued for a short form prospectus, when FCAA is the principal regulator.

Consumer Protection

- Respond to telephone inquiries immediately or return messages within three business days.
- Review an application for licensing and issue a licence or provide an initial comment letter within 15 business days.



Performance Measures 2012-13

Measure	Data	Why Chosen
Stakeholder confidence in FCAA and financial market	Stakeholder Survey	Stakeholder views on the effectiveness of regulation are important
Consumers use FCAA information	Website usage	The website is the primary way we disseminate information to consumers
Number of regulated entities reviewed (field and desk review) each year	Number of entities directly regulated by FCAA. Target number of entities that will be reviewed (based on risk and other criteria)	Sufficient regulation is both educational and a deterrant
Client Service Standards	See "Client Service Standards" on page 33	Service standards indicate quality service to those regulated
Human resource management effectiveness	Employee survey	FCAA's most valuable resource is its people
Staff participate in learning and development	Employee survey	We want to create a learning environment for staff
Variance from budget	MIDAS	Managing within authorized amounts indicates efficiency

Target	Performance
> 3.0 on a five point scale, indicating a rating of "Somewhat Confident to Very Confident"	Average response of 3.1 in most recent survey
5% increase in number of hits on consumer pages	New measure
100% of target	• Pensions: 100% • Financial Institutions**: 95% • Securities: 95%
100% of target	• Pensions : 100% (valuations) 94% (Annual Information Returns) • Financial Institutions**: 99% • Securities: 95% • Consumer Protection: 100%
90% or more of staff believe FCAA is an average or above average place to work	Most recent survey - 89%
80% of employees	89% of employees
To be within 10% of expenditure budget	3% under budget in 2012-13

** "Financial institutions" includes the Consumer Credit Division and the Insurance and Real Estate Division

Governing Legislation

- *The Auctioneers Act*
- *The Cemeteries Act*
- *The Charitable Fund-raising Businesses Act*
- *The Collection Agents Act*
- *The Consumer and Commercial Affairs Act*
- *The Consumer Protection Act*
- *The Cost of Credit Disclosure Act, 2002*
- *The Credit Reporting Act*
- *The Credit Union Act, 1998*
- *The Credit Union Act, 1985*
- *The Direct Sellers Act*
- *The Film and Video Classification Act*
- *The Financial and Consumer Affairs Authority of Saskatchewan Act*

- *The Funeral and Cremation Services Act*
- *The Motor Dealers Act*
- *The Mortgage Brokerages and Mortgage Administrators Act*
- *The Payday Loans Act*
- *The Pension Benefits Act, 1992*
- *The Real Estate Act*
- *The Sale of Goods Act*
- *The Saskatchewan Insurance Act*
- *The Saskatchewan Financial Services Commission Act*[1]
- *The Securities Act, 1988*
- *The Ticket Sales Act*
- *The Trust and Loan Corporations Act, 1997*

[1] *Repealed effective October 1, 2012*

Financial Statements

"Saskatchewan's well-being and continued growth depends on a market people can trust. It's our mission to make sure that trust is well placed."

– FCAA Management Team

Management's Responsibility for Financial Statements

Financial and Consumer Affairs Authority of Saskatchewan

Report of Management for the Six Month Period ended March 31, 2013

The accompanying financial statements are the responsibility of the management of Financial and Consumer Affairs Authority of Saskatchewan. They have been prepared in accordance with Public Sector Accounting Standards, using management's best estimates and judgments where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies, and procedures designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate, and reliable financial information.

The Authority's Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The financial statements have been reviewed and approved by the Board.

The Office of the Provincial Auditor has audited Financial and Consumer Affairs Authority of Saskatchewan's financial statements in accordance with Canadian generally accepted auditing standards and its report follows.

David Wild
Chair and Chief Executive Officer
July 11, 2013

Ian McIntosh CA
Chief Financial Officer
July 11, 2013

Independent Auditor's Report

PROVINCIAL AUDITOR
of Saskatchewan

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Financial and Consumer Affairs Authority of Saskatchewan which comprise the statement of financial position as at March 31, 2013, and the statements of operations, changes in net financial assets, and cash flows for the six-month period ended March 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Financial and Consumer Affairs Authority of Saskatchewan as at March 31, 2013, and the results of its operations, changes in net financial assets and cash flows for the six-month period ended March 31, 2013 in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
July 11, 2013

Bonnie Lysyk, MBA, CA
Provincial Auditor

1500 Chateau Tower - 1920 Broad Street Regina, Saskatchewan S4P 3V2
t 306.787.6398 f 306.787.6383 e info@auditorsk.ca
w www.auditor.sk.ca

Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31

	2013 (See Note 2)
Financial Assets	
Cash	$1,150
Due from General Revenue Fund (Note 5)	$14,189,427
Accounts Receivable	$31,143
Total Financial Assets	$14,221,720
Liabilities	
Accounts Payable and Accrued Liabilities	$637,898
Dividend Payable to General Revenue Fund (Note 6)	$10,503,057
Unearned Revenue (Notes 3 and 11)	$2,080,765
Total Liabilities	$13,221,720
Net Financial Assets (Statement 3)	$1,000,000
Non-Financial Assets	--
Accumulated Surplus (Statement 2)	$1,000,000

(See accompanying notes to the financial statements)

STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED MARCH 31

	2013 (6 Months)
Revenue	
Revenue (Notes 3 and 10)	$9,453,743
Expenses	
Salaries and Benefits	$2,547,522
Travel	$45,823
Contract Services	$192,446
Communications	$14,796
Rent, Supplies, and Services	$524,922
Minor Asset Purchases	$22,118
Transfers (Note 14)	$89,000
Total Expenses	$3,436,627
Surplus (Note 9)	$6,017,116
Accumulated Surplus, Beginning of Period	--
Add	
Transfer from the Saskatchewan Financial Services Commission Fund (Note 2)	$1,000,000
Less	
Dividend to General Revenue Fund (Note 6)	$(6,017,116)
Accumulated Surplus, End of Period (Statement 1)	$1,000,000

(See accompanying notes to the financial statements)

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS FOR THE SIX MONTH PERIOD ENDED MARCH 31

	2013 (6 Months)
Surplus	$6,017,116
Dividend to the General Revenue Fund (Note 6)	$(6,017,116)
Transfer from the Saskatchewan Financial Services Commission Fund (Note 2)	$1,000,000
Increase in Net Financial Assets	$1,000,000
Net Financial Assets, Beginning of Period	--
Net Financial Assets, End of Period (Statement 1)	$1,000,000

(See accompanying notes to the financial statements)

STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED MARCH 31

	2013 (6 Months)
Cash Flows from Operating Activities	
Surplus	$6,017,116
Changes in Non-Cash Working Capital: (Note 2)	
Accounts Receivable	$14,474
Accounts Payable and Accrued Liabilities	$340,142
Unearned Revenue	$(135,465)
Cash Provided by Operating Activities	$6,236,267
Cash Flows from Financing Activites	
Transfer from the Saskatchewan Financial Services Commission Fund (Note 2)	$7,954,310
Net Increase in Cash	$14,190,577
Cash and Cash Equivalents, Begining of Period	--
Cash and Cash Equivalents, End of Period	$14,190,577
Cash and Cash Equivalents Consist of:	
Cash	$1,150
Due from General Revenue Fund	$14,189,427
	$14,190,577

(See accompanying notes to the financial statements)

Notes to the Financial Statements for the Six Months Ended March 31, 2013

1. Authority and Purpose

Financial and Consumer Affairs Authority of Saskatchewan (FCAA) was established under the provisions of *The Financial and Consumer Affairs Authority of Saskatchewan Act* (the FCAA Act) being Chapter F13.5 of The Statutes of Saskatchewan, proclaimed in force on October 1, 2012.

FCAA is a Treasury Board Crown corporation within the meaning of *The Crown Corporations Act, 1993*.

The mandate of FCAA is to oversee the protection of consumer and public interests and support economic well-being through responsive marketplace regulation. FCAA enhances consumer protection through licensing and registration, audit and compliance, market conduct, complaint handling, and enforcement activities pursuant to various provincial statutes.

FCAA has five divisions to carry out its mandate.

- Consumer Credit Division — regulates and supervises Saskatchewan credit unions; trust, loan and finance companies; loan and mortgage brokers; and payday lenders. The Division protects the public interest and enhances public confidence by encouraging sound and ethical business practices.
- Insurance and Real Estate Division — licenses all companies which transact insurance in Saskatchewan. It protects insurance policyholders through solvency regulation of provincial insurance companies; market conduct regulation of federal and provincial companies; and, oversight of the Insurance Councils of Saskatchewan with respect to rules applied to insurance agents and brokers. The Insurance and Real Estate Division also protects real estate buyers and sellers by overseeing the Saskatchewan Real Estate Commission with respect to the real estate brokers and salespersons and the rules it applies to those intermediaries.
- Securities Division — protects investors by regulating the sale of securities, without undue restrictions, to ensure that those who sell securities to investors are honest and competent, investors are provided with selling documents that contain truthful, complete, and understandable information on which to base their investment decisions, buyers and sellers have equal access to information about companies trading in the secondary markets, and those who take undue advantage of investors are held to account.
- Pensions Division — protects Saskatchewan employees' pensions. Standards are established with respect to the structure and administration of pension plans, as well as to the investment and ongoing funding of plans. The division identifies and manages risks and problems to bolster public confidence in the pension system, while allowing the market to develop to meet the retirement needs of Saskatchewan workers and employers.
- Consumer Protection Division — supports and promotes fair trading in goods or services purchased or acquired by a consumer from a business for personal, household and family purposes. It strives to protect consumers and maintain a fair trading business environment through: market regulation, sector-specific business and salesperson licensing, complaint investigations, information and education initiatives, inter-agency and inter-jurisdictional cooperation, enforcement, research, and by taking action on behalf of vulnerable consumers who have been deceived or mislead. The division also supports the Film Classification Board and oversees the Funeral and Cremation Services Council.

In addition, FCAA has a Legal Branch. The Legal Branch provides legal and policy support to FCAA, other than the Securities Division, which has its own legal team.

2. Predecessor Organization

The operations of FCAA, prior to October 1, 2012 were conducted by the Saskatchewan Financial Services Commission (SFSC). SFSC was established under the provisions of *The Saskatchewan Financial Services Commission Act* (the SFSC Act). SFSC was a self operating agency, directly responsible to account for its operations. SFSC's operations were accounted for through the establishing of the SFSC Fund. All taxes, fees, moneys, fines, costs, penalties, assessments, and other charges payable pursuant to the administration of financial services legislation were deposited to the Fund. Under Subsection 23.5 of the SFSC Act, moneys in the Fund were used to pay salaries and administrative costs relating to the exercise of any powers of a financial regulator pursuant to any financial services legislation for which it was responsible.

The SFSC Act was repealed by the FCAA Act effective October 1, 2012.

Pursuant to Section 3 of the FCAA Act, SFSC continued as Financial and Consumer Affairs Authority of Saskatchewan (FCAA).

Pursuant to Section 44 of the FCAA Act, on the day the Act came into force, the assets and liabilities of the SFSC Fund ending on that date were transferred to and became the assets and liabilities of FCAA. The SFSC Fund was wound up on the same date.

Balances transferred to FCAA included:

FINANCIAL ASSETS	
Cash	$1,150
Due from the General Revenue Fund	$7,953,160
Accounts Receivable	$45,617
TOTAL FINANCIAL ASSETS	$7,999,927
LIABILITIES	
Accounts Payable and Accrued Liabilities	$297,756
Dividend Payable to the General Revenue Fund	$4,485,941
Unearned Revenue	$2,216,230
NET FINANCIAL ASSETS	$1, 000, 000

3. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards and reflect the following significant accounting principles:

(a) Revenue Recognition

(i) Fees and Other Sources of Revenue

Fees and other sources of revenue are recognized when earned.

(ii)Unearned Revenue

The Saskatchewan Insurance Act licence fees collected by the Insurance and Real Estate Division are for five year licences. The licence fees collected by the Consumer Protection Division are also for a five year period. The revenue from licence fees that relate to future periods are recorded as unearned revenue, and recognized as revenue over the term of the licence.

Fees received by the Consumer Credit Division for Trust and Loan licences, Mortgage Broker licences, and Payday Lender licences are reported as revenue in the fiscal year in which the licence is issued. Fees received in one fiscal period for licences issued in the following fiscal period are treated as unearned revenue.

(b) Expenses

Expenses represent the cost of resources consumed during the period for operations. Transfers are recognized as expenses in the period during which the transfer is authorized and any eligibility criteria are met.

(c) Use of Estimates

These statements are prepared in accordance with Canadian Public Sector Accounting Standards. These require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates. Differences are reflected in the period when they are identified.

4. Financial Instruments

FCAA's financial instruments include due from and dividend payable to the General Revenue Fund (GRF), accounts receivable, accounts payable and accrued liabilities. The carrying amount of these instruments approximates their fair value due to their short-term nature. These instruments have no material interest rate risk or credit risk.

5. Due from General Revenue Fund (GRF)

FCAA's bank account is included in the GRF and accounted for separately through an accounting segregation. Interest earned on the balance attributed to FCAA is calculated and paid into the account using the Government of Saskatchewan's (the government) 30 day borrowing rate and FCAA's average daily bank account balance. For the six month period ended March 31, 2013 interest earned totalled $52,582. The government's average 30 day borrowing rate for the period ended March 31, 2013 was 1.097%.

6. Dividend to General Revenue Fund

Treasury Board directed SFSC to maintain an accumulated surplus balance of approximately $1,000,000, to be used for exercise of any powers.

Treasury Board also directed that SFSC's surplus in excess of $1,000,000 be paid to the GRF as a dividend.

FCAA implemented this same direction.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards, and commissions related to the Fund by virtue of common control by the Government, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government (collectively referred to as "related parties").

The significant related party transactions incurred by FCAA and reflected in these financial statements relate to rental expenses and support services of $221,013, and contracted services expenses for information technology equipment and support of $80,420 paid to the Ministry of Central Services. These transactions were recorded at mutually agreed upon rates and settled at normal trade terms.

These financial statements reflect the salary costs of FCAA employees, and include the costs of employee benefits incurred by the Province of Saskatchewan relating to those employees. FCAA reimburses the Ministry of Finance for these employee benefit costs. For the six months ended March 31, 2013, employee benefit costs totalled $337,447.

These financial statements do not reflect the costs incurred by a number of related parties on behalf of FCAA. During the period ended March 31, 2013, FCAA received substantial administrative services from the Ministry of Justice and the Ministry of Finance without charge.

In addition, FCAA, by agreement, received substantial services from the Public Service Commission relating to human resource matters and payroll processing, also without charge.

Other transactions and amounts due to and from related parties are described separately in the financial statements and notes.

8. Contractual Obligations

Effective January 1, 2013, FCAA has a contractual obligation for premises. The current lease expires December 31, 2017. The future minimum lease payments in each fiscal year are as follows:

Contractual Obligations	
2013/14	$776,823
2014/15	$776,823
2015/16	$776,823
2016/17	$776,823
9 months 2017	$582,618

9. Segmented Disclosure

The following schedule provides the relevant segmented disclosure by division within FCAA.

Six Months Ended March 31, 2013			
Division	Revenues	Expenses	Surplus
Securities	$6,738,804	$1,095,061	$5,643,743
Insurance & Real Estate	$986,394	$288,412	$697,982
Consumer Protection	$426,210	$699,944	$(273,734)
Pensions	$26,909	$219,085	$(192,176)
Consumer Credit	$ 1,222,844	$393,004	$829,840
Chair's Office/ Administration	$52,582	$373,280	$(320,698)
Legal	--	$367,841	$(367,841)
TOTALS	$9,453,743	$3,436,627	$6,017,116

Expenses relating to the operations of FCAA incurred by certain related parties are not reflected in these financial statements. Refer to Note 7 for additional details.

10. Revenue by Category within Each Division

Sources of revenue by division are as follows:

Six Months Ended March 31, 2013	
Securities Division	
Prospectus Fees	$2,087,143
Registration Fees	$3,828,143
Exemption Fees	$126,445
Continuous Disclosure Filing Fees	$692,000

Six Months Ended March 31, 2013	
Securities Division	
Administrative Penalties/Costs of Investigations	$3,000
Other	$2,073
TOTAL	$6,738,804
Insurance and Real Estate Division	
Unlicensed Insurance Fees	$807,362
Insurance Company Licences	$179,032
TOTAL	$986,394
Consumer Protection Division	
Collection Agent Fees	$290,705
Motor Dealer Fees	$54,946
Direct Seller Fees	$60,747
Other	$19,812
TOTAL	$426,210
Pensions Division	
Pension Plan Registration and Annual Fees	$26,909
Consumer Credit Division	
Trust and Loan Licences	$1,079,184
Mortgage Broker Licences	$25,560
Payday Loan Licence Fees	$118,000
Other	$100
TOTAL	$1,222,844

Six Months Ended March 31, 2013	
Chair's Office	
Interest from GRF and Other	$52,582
TOTAL REVENUE	$9, 453, 743

11. Unearned Revenue

Unearned revenue by revenue category is as follows:

	March 31, 2013
Unearned Revenue	
Saskatchewan Insurance Licence Fees	$797,956
Trust and Loan Licence Fees	$30,000
Mortgage Broker Licence Fees	$2,950
Payday Loans Licence Fees	$2,000
Consumer Protection Division Licence Fees	$1,247,859
TOTAL	$2,080,765

12. Contingencies

FCAA, along with others, is a defendant to two separate claims brought against it as a result of its operations. FCAA believes these claims are without merit. If the court finds that FCAA is liable on the claims, any settlement to the plaintiff would be accounted for by FCAA as a charge against operations in the period in which settlement is made.

13. Comparative Information

FCAA was established on October 1, 2012. As such, there are no comparative figures.

14. Transfers

Consumer Protection Division provides ongoing operational funding transfers to permit certain cemeteries to meet their financial obligations.

By appointment under Section 74 of *The Cemeteries Act, 1999,* the Deputy Director of the Consumer Protection Division administers three cemeteries, located in Estevan, Weyburn, and Moosomin. Being under administration, the operation of these cemeteries is independent of the operations of FCAA. As such, the operating results of the cemeteries are not included in the operating results of FCAA.

15. Budget

The annual budget for SFSC (predecessor organization) for the year ended March 31, 2013 was approved by Treasury Board. SFSC ceased operations after six months and was continued as FCAA. FCAA continued to follow SFSC's approved budget for the remaining six months to March 31, 2013 as a guide.

FCAA

Financial and
Consumer
Affairs Authority

Suite 601 - 1919 Saskatchewan Drive
Regina, SK S4P 4H2
Tel: 306.787.5645
Fax: 306.787.5899
www.fcaa.gov.sk.ca